Community Service Society | Fighting Poverty Strengthening New York

MAKING THE RENT, 2002 to 2005:
Changing Rent Burdens & Housing Hardships Among Low-Income New Yorkers

CSS Update Report **December 2006**

By Victor Bach & Tom Waters

During a period of economic recovery and city growth, it is hard to imagine that poor, working households must survive on $32 a week per family member, once the rent is paid, to cover other basic needs and make ends meet. As soaring rents outpace income gains, low-income New Yorkers are carrying higher rent burdens, paying a larger share of their incomes on rent.

This report updates the CSS analysis of rent burden trends from 2002 through 2005. It confirms that unaffordable rents and high burdens are spreading to a wider cross-section of low-income New Yorkers. Moreover, as housing costs increase, they are eating into income gains, leaving families with less real income to meet other necessities. The consequences of these trends are harshly visible in rising rates of housing hardship.

TERMS USED:
Rent Burden: the percent of household income spent on the contracted rent.
High Rent Burden: a rent burden of 50-percent or more.
Poor Household: A household with annual income at or below the federal poverty threshold ($15,067 for a family of three as of 2004).
Near-Poor Household: A non-poor household with annual income up to twice the federal poverty threshold ($15, 068 to $30,134 for a family of three as of 2004).
Low-Income Household: A poor or near-poor household, with annual income no more than twice the federal poverty threshold.
Residual (After-Rent) Income: Monthly household income remaining, once the contract rent is paid.

Summary of Findings

- ***Poor renters still struggle with extraordinary rent burdens. Despite some easing since 2002, their median burden was 55-percent of income by 2005. Three out of five households (59%) paid at least half their income toward rent.***

- ***Unaffordable rent burdens are spreading rapidly among near-poor households. Between 2002 and 2005, their median burden rose from 37 to 40-percent of income. The proportion paying at least half their incomes rose sharply from 23 to 32-percent.***

- ***Housing hardships reflect the rent burden trends. Poor households have a high rate of hardship (56%) compared to near-poor renters (47%). But hardships are rapidly escalating among the near-poor—between 2004 and 2006, the proportion of near-poor households experiencing at least one hardship rose from 22 to 47 percent.***

- ***Severe housing hardships—doubling up and seeking shelter—are steadily increasing among both poor and near-poor renters.***

- ***Between 2002 and 2005, the residual (after-rent) incomes of low-income tenants declined by5-percent in real dollar value, shrinking resources available for other family needs. Near-poor renters took significant losses, while poor renters sustained very low residual incomes. Among poor renters, per-capita residual income is still extremely low—a median of $32 weekly per family member for food, transportation, health-related costs, and other necessities.***

- ***Rent burdens were consistently lower in regulated rentals than in unregulated rentals. But, between 2002 and 2005, rent-income pressures intensified in both the regulated and unregulated sectors, particularly for near-poor households.***

Recommendations

<u>Property Tax Credits and Rebates</u>: Low-income renters also pay rising property taxes through their rents. The city and state should provide tax relief comparable to benefits now received by individual home and apartment owners, regardless of income.

- ***The State should extend existing property tax credits and rebates to include low-income renters. An Enhanced Real Estate Property Tax Credit (Circuit Breaker) should expand the income range of eligible renters and deepen benefits.***

- ***The City should extend its property tax rebate to include low-income renters, and provide relief comparable to the $400 annual rebates now distributed to individual home and apartment owners.***

<u>Rent Regulation</u>: Rent regulation lessens rent burdens carried by low-income New Yorkers. It should be strengthened and expanded:

- ***The State should again make the current rent the basis for rent guideline increases, rather than permit larger "jump increase" to the legally permitted rent. This would lessen rent inflation in lower-income neighborhoods where current (preferential) rents tend to fall below the legal maximum.***

- ***The State should extend rent stabilization protections to tenants in all developments that are leaving subsidy programs, such as Mitchell-Lama and project-based Section 8.***

- ***The State should restrict the use of "unique and peculiar" rent increases in former Mitchell-Lama developments that have already left the program.***

<u>Rising Rents</u>

As rents escalate in our heated urban markets, and the wages of low-income workers lag, there is growing national recognition that rents are reaching unaffordable levels increasingly out of reach to poor and near-poor households. In New York City, the figures for 2002 were already alarming.[1] CSS estimated that poor renters carried a median rent burden of 57-percent of income, and nearly two-thirds (65%) had high rent burdens, with at least half their incomes paid toward contract rent. Trends over the previous decade pointed to escalating rent-income pressures for poor and near-poor New Yorkers. Even worse, for poor renters, housing costs were eating into income gains, leaving them with less "after-rent" residual income or real purchasing power to meet other basic needs: By 2002, poor households had, on the average, less than $30 a week to spend per family member once rent was paid. Annual CSS surveys of low income New Yorkers, *The Unheard Third,* echoed those trends—housing-related hardships were rising.[2]

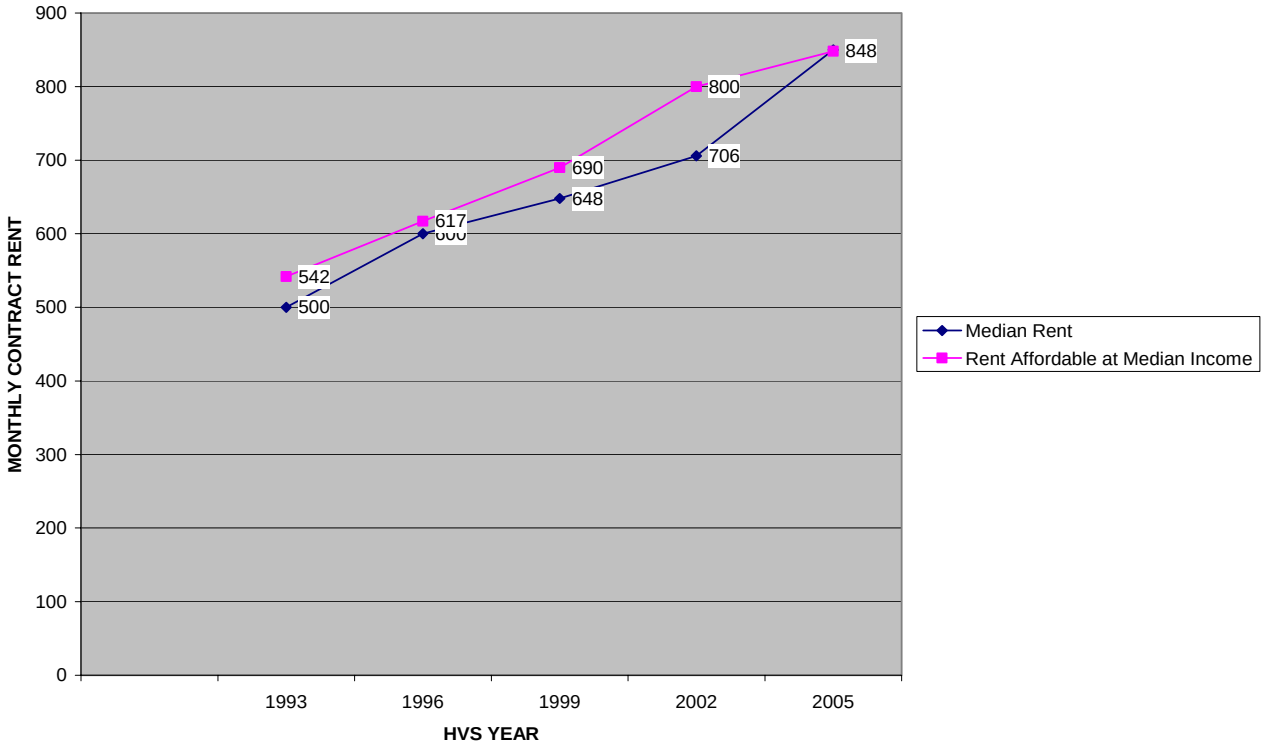
The mounting problem of unaffordable rents is not unique to New York's low-income renters. *Out of Reach* reports issued annually by the National Low Income Housing Coalition confirm these trends on a national scale.[3] The Joint Center for Housing Studies, in an unusual move this past year, issued a report on the state of the nation's rental housing[4]. It found that "within this lowest-income group [those earning under $10,600 a year] 70 percent pay more than half of their incomes for housing…". It concluded that extraordinary rent burdens made it difficult for families to make ends

meet: "Working within these tight budgets, lowest-income families have little margin for emergencies. One unexpected bill, one spell of unemployment, or even a minor health problem may make it impossible to pay the rent."

Purpose of the Report

Based on recently released data for the 2005 New York City Housing and Vacancy Survey (HVS), this report updates the CSS analysis of rent burden trends from 2002 through early 2005. Over the three years, rents soared across the city, while incomes remained relatively static. The citywide median rent increased by 21 percent, from $700 to $850 monthly, the steepest triennial increase reported by the HVS since 1993. (See Chart 1.) The number of apartments renting for up to $1,000 monthly declined by 26 percent. At the same time, the median annual income of renters rose only 6 percent, from $32,000 to $33,904.[5]

Chart 1. MEDIAN CONTRACT RENT vs. RENT AFFORDABLE AT MEDIAN RENTER INCOME



Since the early 1990s a New York City tenant at the median income has consistently been able to afford (at 30-percent of income) a rent moderately higher than the citywide median rent. By 2005, that is no longer the case—the median rent and the

rent affordable at the median tenant income converge. (See Chart 1.) There is less slack between what tenants can afford and prevailing rent levels. One would expect more severe rent burdens among low income New Yorkers by 2005 and a rising rate of housing hardship.

The report also analyzes changes in residual (after-rent) household income, the amount of monthly income left once rent is paid. Residual income measures what a family can spend on other needs and wants.[6] If rising rents outpace income gains, the family has less real purchasing power once rent is paid. While this is true for people at all income levels, it is unsustainable for poor families who have little income left over.

The effect of rent regulation on rent-income stresses is also considered. Most of the city's low-income households (63%) live in private, unassisted rentals and are vulnerable to market pressures driving rents upward. About two-thirds of these tenants live in apartments subject to rent regulation, where one would expect rent pressures to be moderated.

Updated Rent Burden Trends, 2002 through 2005

Low-income New Yorkers experienced growing disparities between rent and income between 2002 and 2005. Median rents escalated by double digits—by about 20-percent—while median household income rose by single digits, about 6 percent.

Over the previous decade rent burdens had steadily increased, for both poor and near-poor households. By 2005 the median burden for all low-income renters rose to 44-percent of income, compared to 39-percent in 1996. (See Chart 3.) The proportion with high rent burdens—those paying at least half of income toward rent—was 39-percent compared to 33-percent in 1996. (See Chart 4.) [7]

In the three years, there were some notable differences in the way poor and near-poor renters fared. Poor renters made some modest gains—median rent burdens dropped to 55 percent from the 57 percent reported for 2002 and the incidence of high rent burdens dropped from 65 to 59 percent. Their gains may be due to increased availability of part-time and low-wage work. Nevertheless, the 2005 levels still represent extraordinary rent-income pressures on poor renters.

Chart 3. MEDIAN RENT BURDEN by HOUSEHOLD INCOME LEVEL, 1996 to 2005
(CSS Renter Sub-sample)

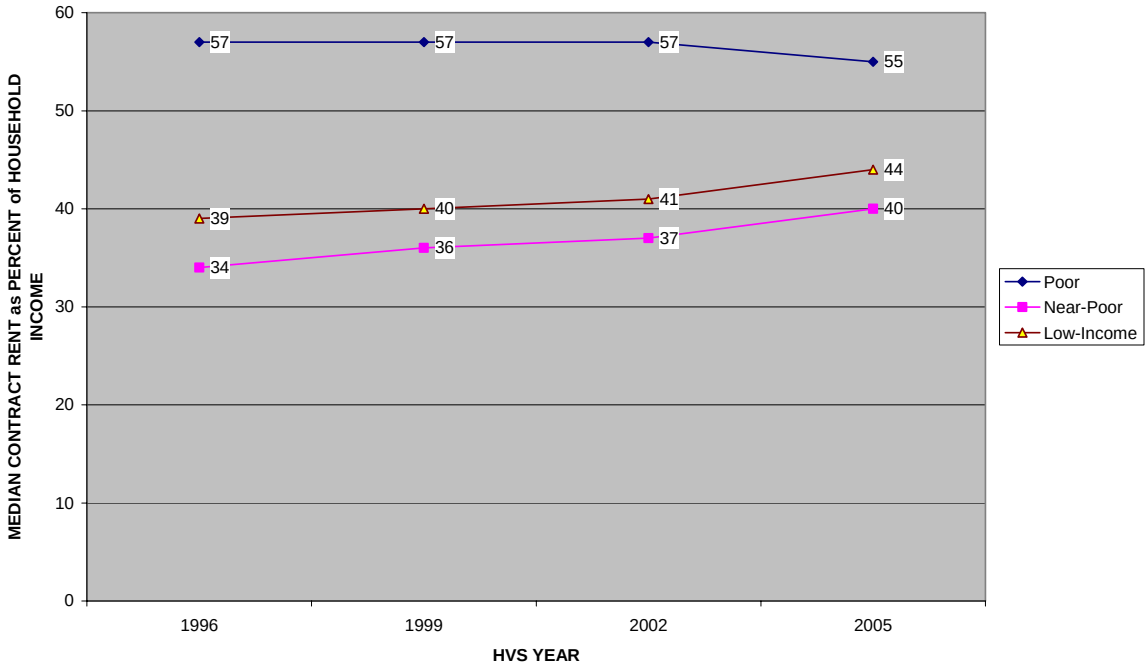
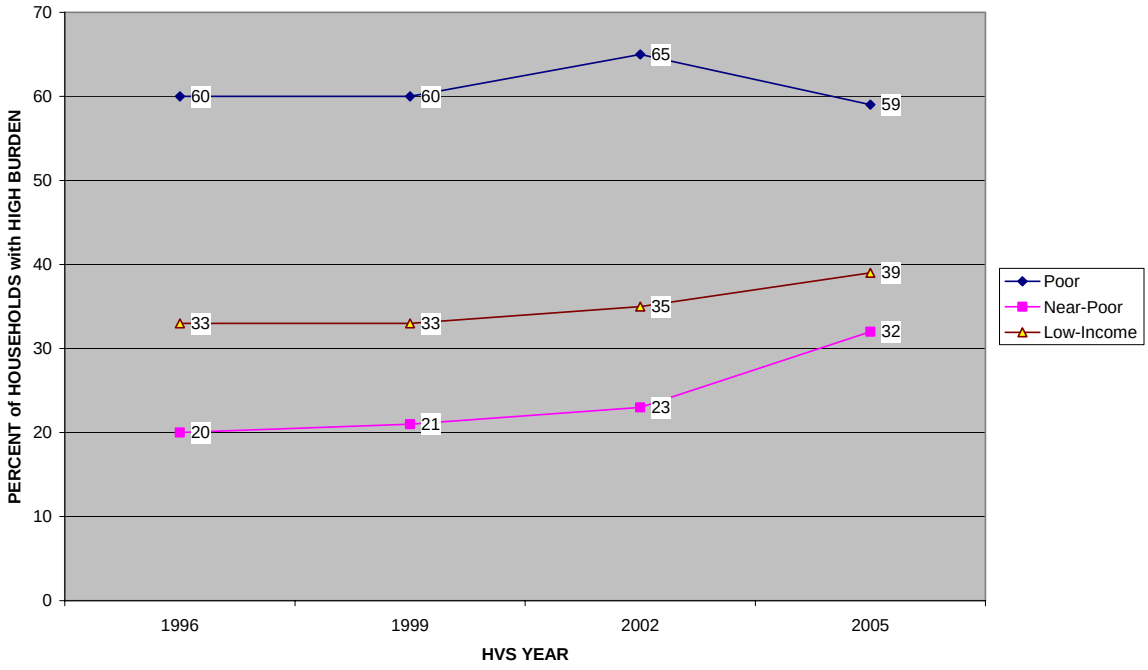


Chart 4. HIGH RENT BURDENS by HOUSEHOLD INCOME LEVEL, 1996 to 2005
(CSS Renter Sub-Sample)



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In comparison, the situation of near-poor renters worsened dramatically over the three years. Their median rent burden rose from 37 to 40 percent, and the proportion with high burdens spiked from 23 percent to 32-percent. Nearly a third now pay at least half their income for rent. The intensifying rent-income pressure on near-poor renters might be explained by the relatively stagnant income levels of full-time low-wage workers during a period when housing costs were escalating.

Residual Income Trends: Living on $32 a Week After Rent

Residual household income is the income left, once contract rent is paid, to meet other basic needs and any discretionary outlays.[8] It measures the degree to which housing costs affect the well-being of a household, whether enough or too little income remains for other necessities. Trends in real residual income (in constant dollars) also reflect whether and the extent to which changing housing costs erode income gains over time, that is, the extent to which they affect the real purchasing power of low-income families for non-housing outlays.

On the whole, New York's low-income renters maintained a fairly steady level of real residual income between 1996 and 2005. But there were observable differences by income level. Near-poor renters experienced a long-term 14-percent decline in real residual income over the decade, while poor renters remained at stable, but extremely low levels. (See Chart 5.) But, in the last three years since 2002, both poor and near-poor renters lost ground as rent increases overtook income gains. Poor renters lost 9-percent of their after-rent purchasing power, near-poor renters lost 7-percent.

How far residual income stretches depends, of course, on the size of the household, how many people it must provide for. Per-capita residual income remained relatively stable for low-income renters as a whole over the 1996-2005 decade, but there were marked differences in how poor and near-poor households fared. (See Chart 6.) Near-poor renters found their residual purchasing power had eroded by 10-percent, with accelerating losses between 2002 and 2005. Rent was subsuming a far larger share of their resources.

Chart 5. RESIDUAL INCOME, by HOUSEHOLD INCOME LEVEL, 1996 to 2005
(CSS Renter Sub-Sample)

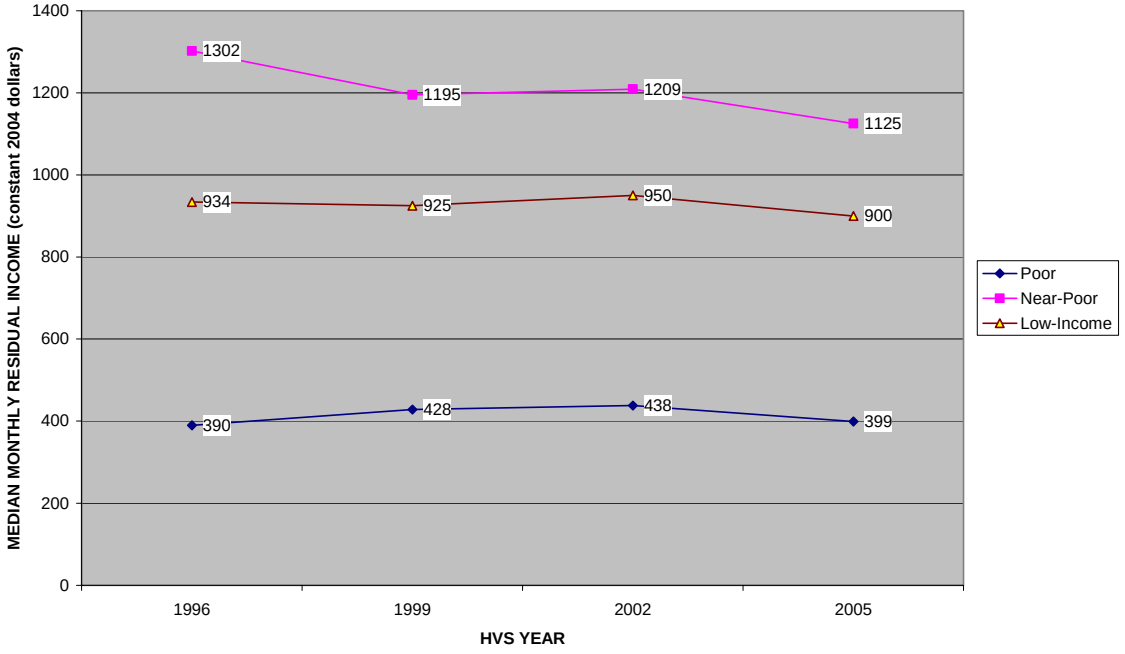
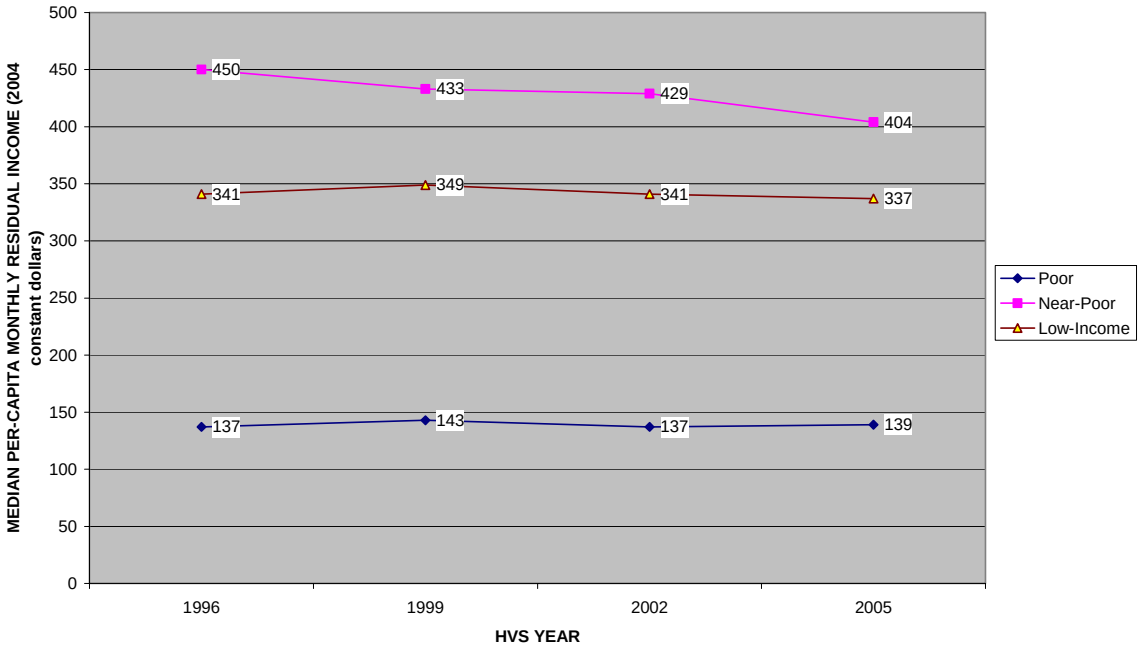


Chart 6. PER-CAPITA RESIDUAL INCOME, by HOUSEHOLD INCOME LEVEL, 1996 to 2005
(CSS Renter Sub-Sample)



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The poor continue to struggle with far lower per-capital residual incomes—a level of $32 weekly per family member (in 2004 dollars), so low it is beyond imagining how they make ends meet. Their dire situation continued over the decade, at a cost of growing hardship. Near-poor renters found their limited income gains increasingly eaten up by rising rents, leaving them with less real purchasing power once rent was paid.

Housing Hardships

Not surprisingly, housing hardship has also increased in recent years as rent pressures on low-income New Yorkers intensify. The annual CSS *Unheard Third Survey of Low-Income New Yorkers* reports on the incidence of four types of housing hardship over the previous year: falling behind in rent or mortgage payments, experiencing utility cut-offs, doubling up with friends or relatives, or seeking shelter. Since 2002, when the annual CSS survey was first conducted, low-income renters have experienced housing hardship at an increasing rate.[9] The proportion experiencing one or more such hardships rose from 36 to 52 percent between 2002 and 2006. (See Chart 7.)

Poor households sustained consistently higher rates of hardship than near-poor renters, although poor tenants reported a slightly lower rate of 56-percent by 2005-6, compared to previous years. But recent increases for the near-poor have been steep. Only 28-percent of near-poor renters experienced housing hardship in 2002-3, but the rate rose rapidly to 47-percent by 2005-2006. Housing hardship trends appear to be closely related to rent burden trends.

Among the four housing hardships tracked, two can be considered "lesser" hardships—rent arrears and utility cut-offs—because they are frequent cyclical problems from which many households recover. The two hardships considered as "severe" are less common and more disruptive—seeking shelter and doubling-up with others. When poor and near-poor renters are compared with respect to the severity of the hardships they experience, the results are strikingly consistent with rent burden trends. (See Chart 8.) Poor renters consistently suffer higher rates of hardship than near-poor renters, and the same is true for both severe and lesser hardships. Since 2002 hardships for both income groups have, by and large, escalated. There has been some recent easing of lesser hardships among poor families in recent years, at the same time they accelerated for the near-poor. The poor continue to be far more vulnerable to severe hardships, to

Chart 7. HOUSING HARDSHIP AMONG LOW-INCOME RENTERS, by HOUSEHOLD INCOME LEVEL, 2002-2006

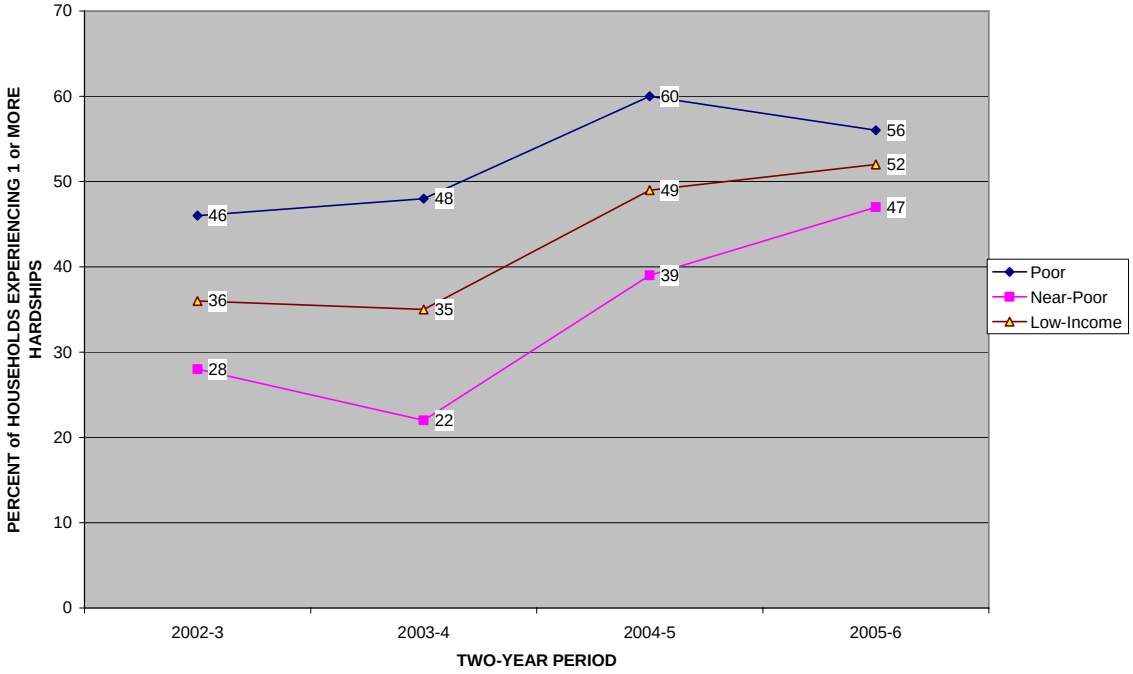
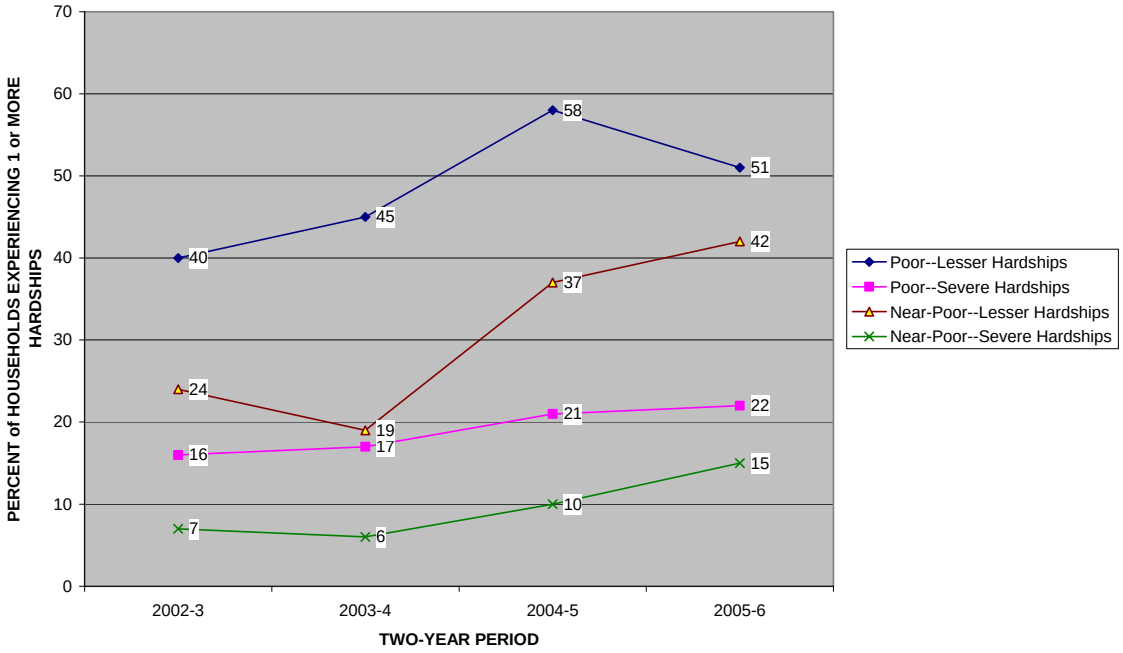


Chart 8. SEVERE & LESSER HOUSING HARDSHIP AMONG LOW-INCOME RENTERS, by HOUSEHOLD INCOME LEVEL, 2002-2006



displacement and homelessness, but the scenarios for the two income groups are converging. A significant and growing portion of the near-poor are now at risk.

The Effects of Rent Regulation

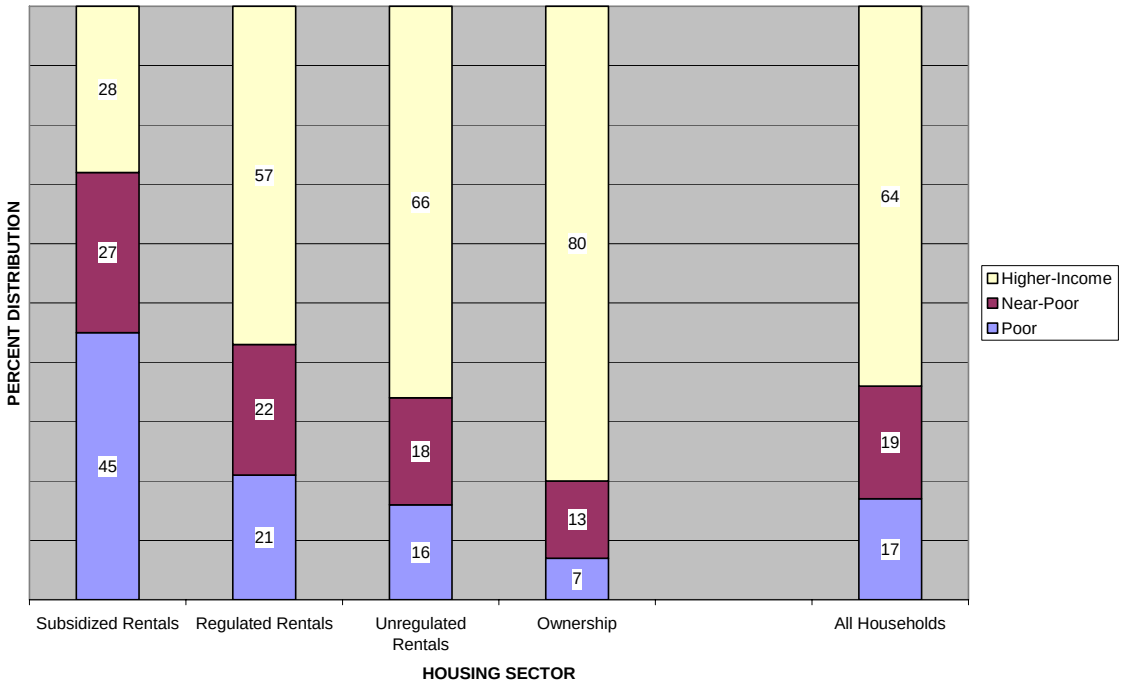
New York's one-million low-income households—poor and near-poor—continue to rely primarily on the private, unassisted rental market for their homes. Close to two-thirds (63%) rent private apartments, largely in regulated units. About a third of the private rentals are unregulated. A small, but significant proportion of low-income renters (20%) live in subsidized housing—public housing, Mitchell-Lama rentals, and federally subsidized developments—where they are protected by affordability restrictions and income-based rents. (See Table 1.) Both poor and near-poor families show a similar reliance on private rentals. The major difference between the two income groups is that the poor have a higher presence in subsidized housing and a lower presence among homeowners.

Table 1. DISTRIBUTION OF LOW-INCOME HOUSEHOLDS, BY HOUSING SECTOR, 2005 HVS

Sector	Low Income	Poor	Near Poor	All HHs
Regulated Rental	42 %	42 %	42 %	35 %
Unregulated Rental	21 %	20 %	22 %	22 %
Subsidized Housing	20 %	26 %	14 %	10 %
Homeownership	18 %	13 %	23 %	33 %
	(100 %)	(100 %)	(100 %)	(100 %)
(No. of Households)	(1,096,273)	(526,146)	(570,127)	(3,037,996)

Within each housing sector, low-income households are in the minority, with the exception of subsidized housing, where they make up nearly three quarters (72%) of the tenancy. (See Chart 9.) Since they represent only 39-percent of private rentals, they must compete with a larger cohort of higher-income New Yorkers in the city's tight, high-demand rental market. It is there that low-income households are most at risk of rising rents, unaffordable cost burdens, and related housing hardship.

Chart 9. HOUSEHOLD INCOME DISTRIBUTION BY HOUSING SECTOR



Rent-Income Pressures: Regulated vs. Unregulated Units

Low-income households in private rentals have been subject to steadily rising rents since 1996. (See Chart 10.) But between 2002 and 2005 they experienced steep increases of nearly 20-percent, in both the regulated and unregulated sectors. Rent regulation moderated those effects—regulated rents were consistently lower than unregulated rents. But rent increases in both sectors were unusually high among low-income tenants.

Any comparison of experience in the two sectors needs to take into account income and other differences in the low-income households who occupy them. (See Table 2.)

Chart 10. MEDIAN CONTRACT RENT, LOW-INCOME HOUSEHOLDS, 1996 to 2005

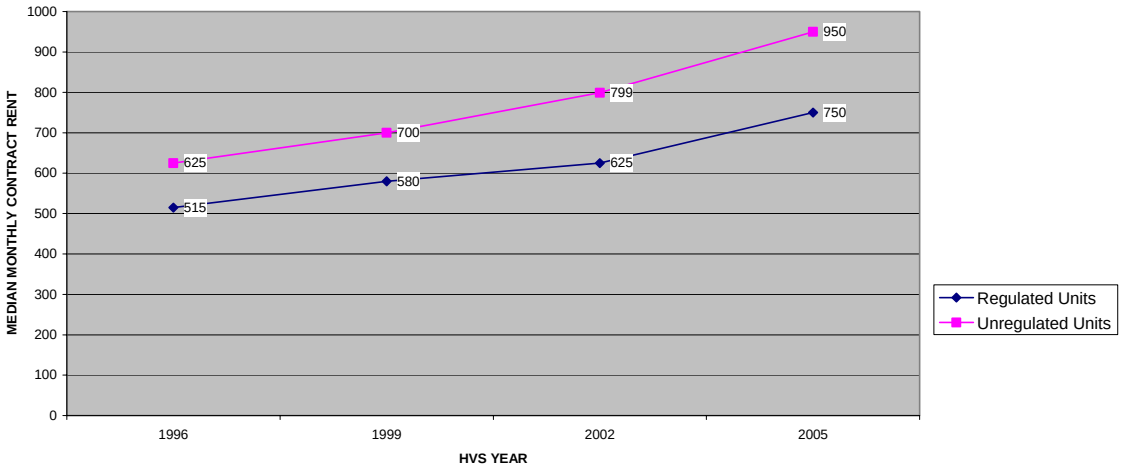


Table 2. RENTER HOUSEHOLD PROFILES, BY INCOME AND RENTAL SECTOR (CSS Renter Sub-Sample)

	Median Income	Percent Working	Median Number of Persons Total	Under 18
Poor				
All renters	$13,700	73 %	4	1
Regulated	14,400	78 %	4	2
Unregulated	15,500	83 %	4	2
Near-Poor				
All renters	$23,000	93 %	3	1
Regulated	22,000	93 %	3	1
Unregulated	25,200	96 %	4	1
Low-Income				
All renters	$20,000	88 %	3	1
Regulated	20,000	89 %	3	1
Unregulated	22,000	93 %	4	1

Within the CSS renter sub-sample used to analyze rent burdens, low-income households are considered "working" if at least one member earned income from work or business at some time during calendar year 2004.

There are some important differences between tenants in the regulated and the unregulated sectors. Households in the unregulated market tend to have higher incomes and a higher proportion of workers. In both sectors, poor households tend to be larger than near-poor households and have more members below age 18.

The higher incomes of households in unregulated units have not resulted in lower rent burdens. Over the past decade since 1996, low-income renters in the regulated sector have consistently fared better, particularly near-poor households. (See Chart 11.) By 2005, the median burden for low-income tenants in unregulated units was 44-percent, compared to 42-percent in regulated rentals. Although the difference does not appear large, the lower income of tenants in regulated rentals makes it even more significant. High rent burdens in unregulated units occurred at a rate of 48-percent, compared to 45-percent in regulated apartments.

Chart 11. MEDIAN RENT BURDEN, REGULATED & UNREGULATED UNITS, POOR & NEAR-POOR HOUSEHOLDS, 1996 TO 2005 (CSS Renter Sub-Sample)

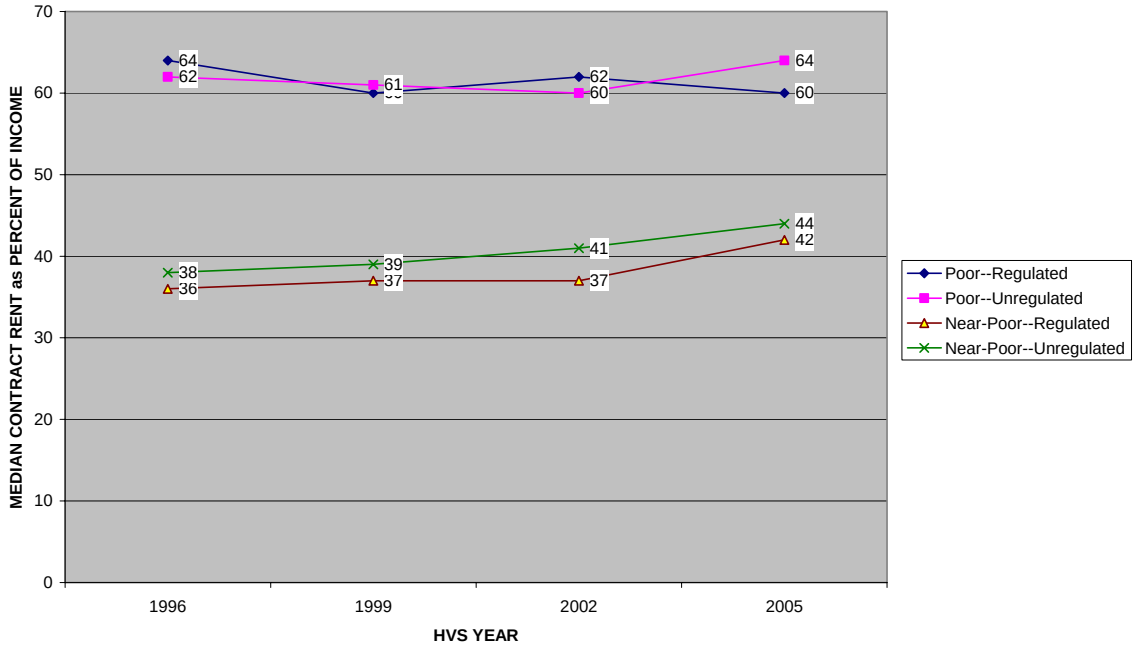


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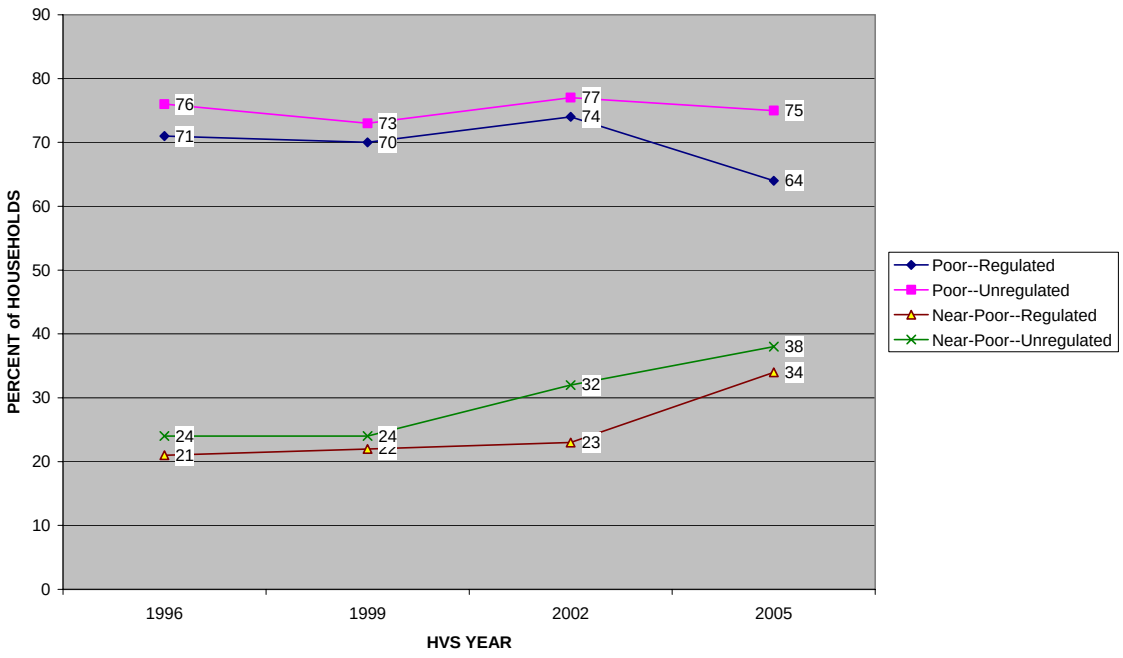
Chart 12. HIGH RENT BURDENS, REGULATED & UNREGULATED UNITS, POOR & NEAR-POOR HOUSEHOLDS, 1996 to 2005 (CSS Renter Sub-Sample)



Between 2002 and 2005, rent pressures intensified for poor and near-poor households in both regulated and unregulated rentals, with the exception of poor families in regulated apartments, where there was some easing of burdens. (See Charts 11 and 12.) Strikingly, the near-poor consistently lost ground—after experiencing a long-term escalation of rent pressures since 1996, in both regulated and unregulated apartments, their burdens have surged since 2002.

Losses in residual income, and in per-capita residual income, also followed these trends. Over the 1996 to 2005 period, near-poor families experienced consistent losses in residual income, in both regulated and unregulated apartments. Rising rents more than offset income gains over the period. But the advantage of comparatively higher incomes among unregulated tenants was offset by larger households, so that they generally sustained steeper losses in real per-capita residual income. (See Charts 10 and 11.)

In comparison, the poor maintained relatively stable, if disastrously low levels of residual income. Poor families in regulated units were the only group that registered consistent increases in real residual income over time. Nevertheless, a per-capita residual income of $138 monthly—about $32 a week per family member for food, transportation, medical costs—is still disastrously low.

Chart 13. RESIDUAL INCOME, REGULATED & UNREGULATED UNITS, POOR & NEAR-POOR HOUSEHOLDS, 1996 to 2005 (CSS Renter Sub-Sample)

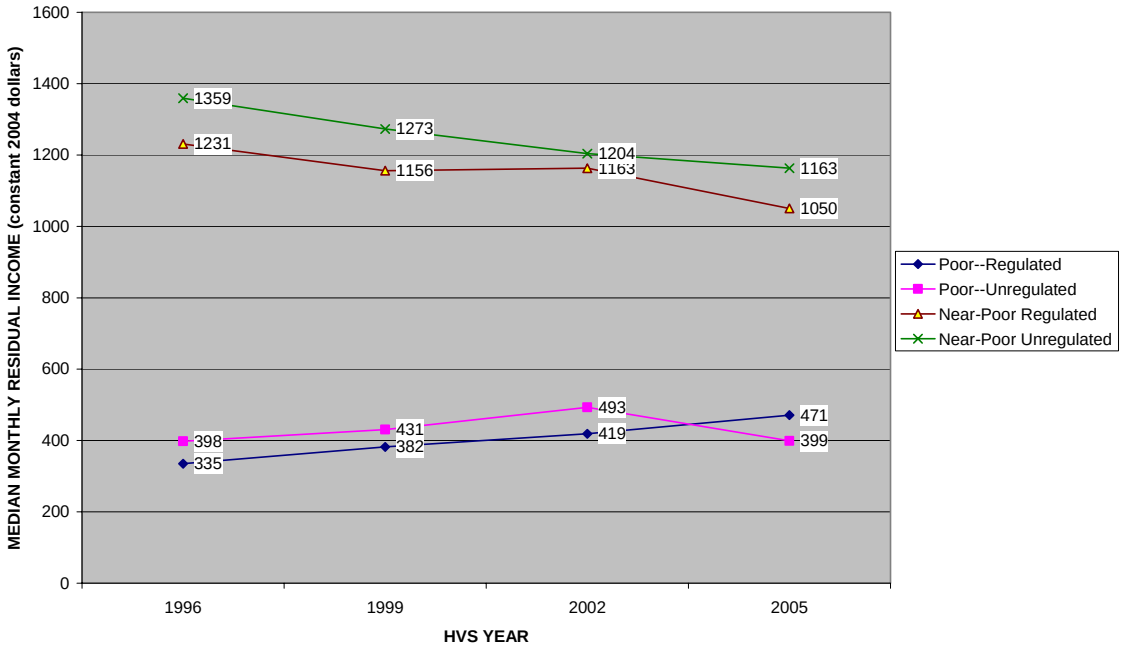
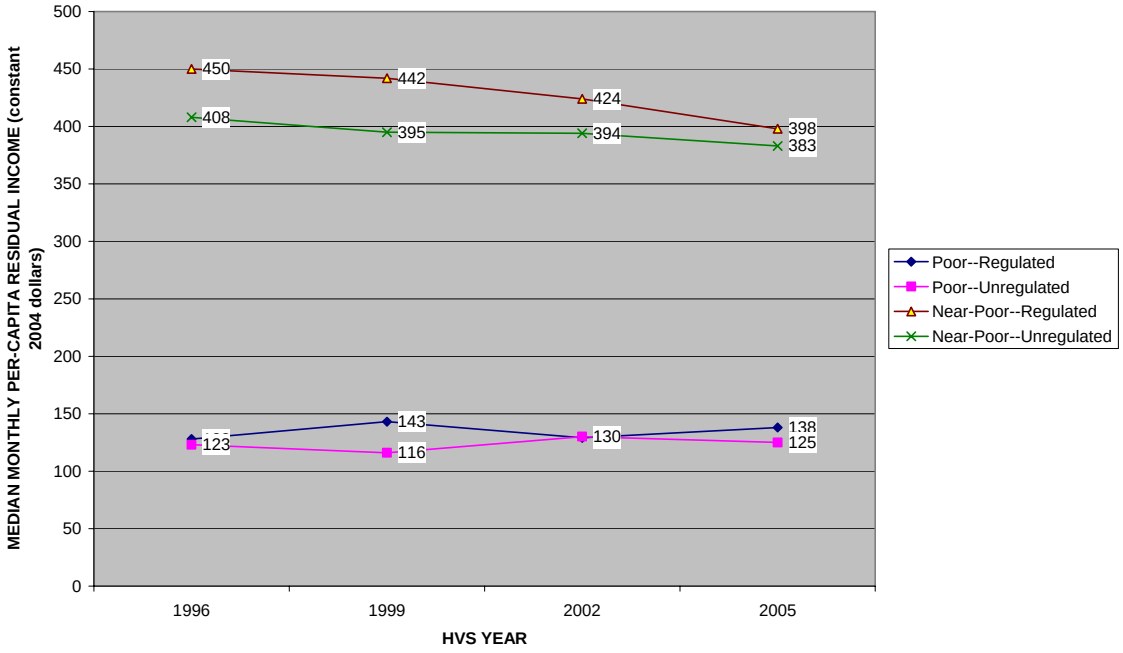


Chart 14. PER-CAPITA RESIDUAL INCOME, REGULATED & UNREGULATED UNITS, POOR & NEAR-POOR HOUSEHOLDS, 1996 TO 2005 (CSS Renter Sub-Sample)



During the three years since 2002, increasing rents ate into income gains for nearly all low-income renters. The near-poor were consistent losers; their real residual income eroded whether or not they lived in regulated apartments. Poor tenants in unregulated apartments took sizeable losses—a 19-percent drop in real residual income and a 3-percent drop in per-capita residual income.

In short, since 1996 rising rents for low-income New Yorkers in private rentals have meant a lower standard of living and sacrifices in access to other essential goods and services. Median incomes increased in actual dollars by 22-percent—from $15,600 to $20,000 in the CSS sub-sample—but real residual income declined by 4-percent and per-capita residual income by 3-percent. Major declines occurred between 2002 and 2005, particularly for near-poor renters.

Rent regulation moderated the effects of rent-income disparities to a considerable extent. Since 1996, real residual income dropped by only 1-percent for tenants in regulated units, compared to 10-percent for those in unregulated units, while real per-capita residual income declined by 3-percent in both regulated and unregulated units. Poor renters continued to struggle against rent pressures that left them with insufficient resources to sustain a minimal standard of living. Near-poor households were consistently required to allocate more of their limited real resources simply to meet the rent and try to make ends meet.

Conclusions and Recommendations

Rent burdens are the combined result of two distinct forces that affect families—those that drive rents and those that drive wages and incomes. Over the past decade, and particularly in the three years since 2002, low-income renters in the private market faced rapidly escalating rents and small income gains. As rents outpace income gains, they are eating into the real value of household income left to meet other needs. The poor continue to sustain extremely high rent burdens that leave them with unsustainable residual incomes that must stretch to meet other basic needs. These stresses are rapidly spreading among growing numbers of near-poor households.

Clearly, a critical part of any comprehensive approach to the problem housing affordability is the need to raise incomes. For most low-income New Yorkers that means policies to increase take-home pay. These policies include 1) indexing the New York

State minimum wage (now $7.15 hourly) so that its value is not eroded by inflation, 2) expanding the Earned Income Tax Credit to include workers now excluded, and 3) expanding opportunities for job training so that more New Yorkers have the skills needed to seek jobs that will adequately support their families.

Within the housing arena, the recent rent escalation is not only a market response to rising demand, as the city experiences growth and economic recovery. Many formerly overlooked neighborhoods are now being sought by higher-income apartment seekers. It is also the result of rising factor costs that drive both regulated and unregulated rents—the recent 18-percent increase in the New York City real estate property tax, rising energy and insurance costs, as well as inflation in other operating costs. In 2003, legislative changes in rent stabilization allowed owners to jump to the legally permitted rent from the current "preferential rent", even if the percentage increase exceeds leasing guidelines set by the Rent Guidelines Board.[10] This change affects large numbers of renters in low-income neighborhoods where, for some time, actual rents have remained below legally permitted rents, that is, where preferential rents were common.

The heavy rent burdens carried by low-income New Yorkers need to be addressed if they are to continue to live, work, and sustain a minimally decent level of living in the city. They will not be easily or quickly addressed by housing production, even by the ambitious plans for affordable housing initiated under Mayor Bloomberg's administration. In the current market, accelerating losses in the subsidized housing stock—Mitchell-Lama rentals and HUD-subsidized, private developments—will more than outweigh planned production schedules. The infusion of new units will not affect a significant portion of the nearly a million low-income households who rely on private market rentals, particularly under the city's projected population growth in the next decade.

Strategies to expand and preserve the city's supply of affordable housing are critical. But there are several other policy initiatives that can offer needed rent relief and protection to low-income New Yorkers who are at risk:

Extend Property Tax Credits and Rebates to Low-Income Renters

It is not often acknowledged that renters pay rising property taxes through their rents, and that owners pass these increases along to tenants, particularly in strong rental

markets. New York City and State both provide generous tax rebates to individual home and apartment owners, regardless of income, to relieve their property tax burdens. It is generally estimated that tenants carry over half of property taxes paid by building owners [11]. In many robust urban rental markets with high-rise rental buildings and non-resident owners, the proportion may be much higher. Comparable relief needs to be provided to low-income renters to offset the inflationary rent effects of rising property taxes.

- ***The State should enact an Enhanced Real Estate Property Tax Credit (Circuit Breaker)***

New York State now offers some low-income homeowners and renters a refundable tax credit—known as a "circuit breaker"—to help them keep their homes in the face of unaffordable increases in real estate property taxes.[12] The existing tax credit has remained unchanged since it was first legislated in the 1980s. It provides only marginal relief for non-seniors, a maximum of $75 annually, while seniors qualify for a maximum credit of $375. Moreover, the credit is very narrowly targeted: to households with incomes up to $18,000; to renters who pay at most $530 monthly with heat included; to homeowners with assets worth no more than $85,000. In 2003, the circuit breaker provided a total of only $32 million in statewide benefits to low-income New Yorkers and the number of households that qualify has been steadily declining.[13]

Property tax relief for the State's homeowners is far more generous, although New York had nearly as many renters (47%) as homeowners (53%) in the 2000 housing census. The STAR School Tax Relief Program, which costs the State close to $3 billion annually, benefits homeowners exclusively, regardless of income. In 2005, the average STAR rebate was $1,090 to seniors and $685 to other homeowners.

In March 2006 the State Assembly proposed an Enhanced Circuit Breaker Tax Relief Credit that expanded the eligible household income range and deepened the benefits. Reconsideration of an enhanced, well-targeted circuit breaker in the coming State budget could help relieve the heavy rent burdens carried by low-income renters across the state.

- ***The City should extend its annual property tax rebate to low-income renters.***

Since 2004 New York City has issued $400 annual tax rebate checks to a million individual home and apartment owners, regardless of income, to relieve the 18-percent

property tax increase levied in 2003. No comparable relief is provided to low-income renters during a period of rapid rent escalation.

Strengthen and Expand Rent Regulation

Rent regulation lessens the rent burdens carried by low-income New Yorkers. It should be strengthened and expanded in the following ways:

- ***Preserve Preferential Rents***

The ability of an owner to jump from a current preferential rent to the full legal rent, even if the percentage increase exceeds guidelines set by the Rent Guidelines Board, will accelerate rent escalation, particularly in the city's lower-income neighborhoods where preferential rents are common. This places many low-income tenants at risk of steep rent increases, from currently unaffordable rent levels. This provision was enacted by the State in 2003 and may account, in part, for the surge in rent burdens between 2002 and 2005.

Rent stabilization should be reformed to preserve preferential rents as the base for rent guideline increases. In the meantime, the New York State Division of Housing and Community Renewal (DHCR) can and should restrict the circumstances under which increases in excess of the guidelines are permitted.

- ***Extend rent stabilization protections to tenants in developments leaving subsidy programs, such as Mitchell-Lama and project-based Section 8.***

Accelerating losses of Mitchell-Lama and Section 8 rental developments are putting low- and moderate-income tenants at risk of rapid rent increases and possible displacement.[14] Rent stabilization protections available to developments built before 1974 should be extended to all such developments.

- ***Restrict "unique and peculiar" rent increases***.

A previously obscure clause in State law now provides an opportunity to owners of former Mitchell-Lama rental developments, where tenants are currently protected under rent stabilization, to make a jump increase in the stabilized base rent to bring it closer to comparability with prevailing market rents. The result will be to move rents to levels that are unaffordable to the many low and moderate income tenants living in former Mitchell-Lama rentals. DHCR administers these special increases and should be

restrictive in their application, until such time as legislative reforms can be made. Legislation should assure the continuation of affordability protections for these tenants.

. . . . . .

Mounting rent-income pressures on low-income New Yorkers are making it increasingly difficult and stressful for them to continue to live and work in this city. The city's growth and prosperity should not be at the sacrifice of their homes and communities. Our leaders should consider rising rent burdens and the housing hardships they produce as an immediate threat to working families, and as an emergency that must be addressed.

Endnotes

[1] The analysis of rent burdens is based on the New York City Housing & Vacancy Survey (HVS), conducted triennially by the U.S Bureau of the Census, including the most recent 2005 HVS.

[2] Findings were reported in: *Making the Rent: Rent Burdens and Hardship Among Low Income New Yorkers,* Victor Bach, Community Service Society, June 2005, www.cssny.org.

[3] See the annual *Out of Reach* reports issued by the National Low Income Housing Coalition. www.nlihc.org.

[4] *America's Rental Housing, Homes for a Diverse Nation,* (Joint Center for Housing Studies of Harvard University, March, 2006).

[5] Similar trends are underlined in greater detail in *State of New York City's Housing & Neighborhoods 2005,* (Furman Center for Real Estate & Urban Policy, NYU School of Law, August, 2005)

[6] The concept of residual income and alternative approaches to measurement are discussed in: Michael Stone, "Housing Affordability: The Residual Income Approach", *Housing Policy Debate, Volume 17, Issue I* (Fannie Mae Foundation, 2006).

[7] Rent burdens and residual incomes are estimated using a CSS renter sub-sample of the HVS sample of households. A description of the sub-sample and the reasons for using it are given in a methodological note at the end of the report.

[8] Variations in housing costs across the country contribute to local differences in the standard of living and in the income threshold at which a household should be considered “poor”. Residual income provides a measure of household income status, independent of housing cost. It is argued that national poverty thresholds—based only on household size and composition—inadequately reflect income poverty and household need, but the idea has not been incorporated into federal poverty calculations.

[9] Annual housing hardship trends were analyzed and charted using two-year moving averages of hardship rates, in order to lessen annual sampling variation and track longer-term trends. Data used was obtained from the *CSS Annual Unheard Third Survey of Low-Income New Yorkers,* years 2002 through 2006.

[10] *Preferential rent* for a regulated apartment is a rent charge that falls below the legally allowed maximum rent for the apartment.

[11] For a discussion of this issue in relation to STAR, see *One New York: An Agenda for Shared Prosperity*, Fiscal Policy Institute, November 2006.

[12] It is known as the Claim for Real Property Tax Credit for Homeowners and Renter and included in the standard State income tax form, IT-214.

[13] *Real Estate Circuit Breaker Tax Credit: 2003 Credit Use*, New York State Department of Taxation and Finance, September, 2005.

[14] See: *Closing the Door: Accelerating Losses of New York City Subsidized Housing*, by Tom Waters and Victor Bach, Community Service Society Policy Brief, May, 2006

Methodological Note: CSS Renter Sub-Sample

Because of unavoidable inconsistencies and inaccuracies, in respondent reporting of household income and contract rent, this analysis of rent burdens is based on a sub-sample of renter households within each of the HVS samples used. The CSS renter sub-sample for each HVS year was selected on the following basis:

1) Rent-paying households only (exclude rent-free and owned housing)
2) Head of household age at least 25 and less than 65.
3) Households with a positive HVS contract rent burden
4) Households within the middle 90 percent of the income distribution for renters (excludes 5-percent outliers at either extreme) . The resulting household income intervals used for each HVS year are as follows:

2005	$6,006 to $133,000
2002	$6,000 to $130,000
1999	$5,700 to $131,000
1996	$5,000 to $119,950

5) Households within the middle 90 percent of the contract rent distribution for renters (excludes 5-percent outliers at either extreme.) The resulting contract rent distributions used for each HVS year are as follows:

2005	$208 to $2,100 monthly
2002	$200 to $1,900 monthly
1999	$177 to $1,550 monthly
1996	$163 to $1,300 monthly

6) Residual (after-rent) household income of at least $100 monthly, in 2002 dollars. For each HVS year, the residual income threshold, in 2002 dollars, was:

2005	$111
2002	$100
1999	$93
1996	$87

The resulting CSS sub-sample can be considered a more "mainstream" sample of New York City renters than the HVS renter sample as a whole. The comparison below of some of the key parameters for each of the two samples suggests that the CSS results are more likely to underestimate rent burdens and related measures of rent-income pressures for the city as a whole.

Comparison of HVS and CSS Renter Samples

		1996	1999	2002	2005
Median Income	HVS:	$24,680	$27,600	$32,000	$33,904
	CSS:	$31,000	$35,000	$39,000	$40,050
Median Contract Rent	HVS:	$ 600	$ 648	$ 706	$ 850
	CSS:	$ 600	$ 650	$ 730	$ 850
Median Contract Rent Burden	HVS:	28 %	27 %	27 %	28 %
	CSS:	24 %	23 %	23 %	25 %
Percent Households With High Burdens (50% or more)	HVS:	26 %	26 %	23 %	26 %
	CSS:	12 %	12 %	12 %	14 %